

The impact of eCommerce on Shippers, Transportation Providers, & 3PLs

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The Amazon Effect

The Evolution of Logistics and Supply Chains from Direct to Store Models to E-Commerce

Amazon Expectations

- ▶ 2 Day Shipping with Amazon Prime
- ▶ Breadth of Inventory
- ▶ Now Same Day Pick-Up
- ▶ Last Mile
- ▶ Just in Time
- ▶ On Demand
- ▶ Seamless visibility for ALL Parties
- ▶ Amazon has 20 years of mastery, but new entrants don't have this luxury!
- ▶ Shippers turn to technology from transportation providers, such as 3PLs & large carriers in order to make the transportation system scale & continue to work well for all players in the ecosystem

TECHNOLOGY IS THE KEY

Then (Mid 90s) vs. Now: The Supply Chain

Then

- ▶ Brick & Mortar
- ▶ Products arrived inbound in Bulk
- ▶ Moved around in pallets; selected by the case
- ▶ Shipped to Retail Store

Now

- ▶ Inventory arrives in bulk
- ▶ Picking into SKUs
- ▶ Retailers must standardize business processes through technology
- ▶ Dozens of suppliers, multiple warehouses, number of sales channels
- ▶ Ripe for mistake

TECHNOLOGY IS THE KEY

Then vs. Now: Freight Shipping & Transportation Management

Then

- ▶ Convenience; wait at home til the package arrived
- ▶ Shippers used Post Office, used the phone to communicate with shippers & carriers
- ▶ Delivery times in the weeks
- ▶ Free shipping a tool to stay competitive w/limited carrier options
- ▶ No Sales Tax
- ▶ Order Times were slow anyway

Now

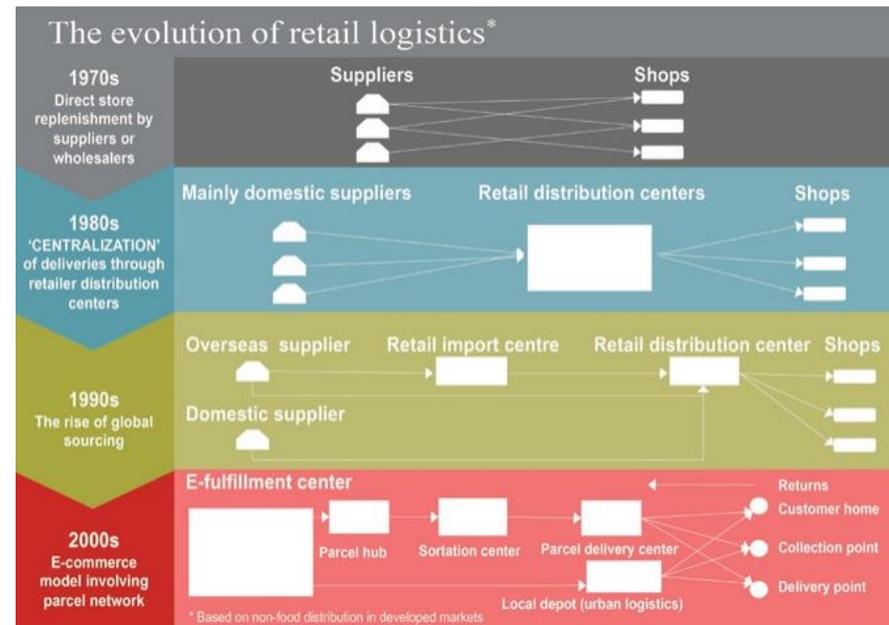
- ▶ Convenience
- ▶ Multiple carrier options, multiple modes
- ▶ Free shipping not as easy to swallow for shipper
- ▶ Amazon creates a hard to reach expectation due to their resources
- ▶ Strategic solutions from transportation providers needed

TECHNOLOGY IS THE KEY

Evolution of e-Commerce Logistics

Distribution property perspective

- ▶ **1970s:** Retail stores replenished from direct deliveries
- ▶ **1980s:** Retailers centralize through controlled Distribution Centers
- ▶ **1990s:** Global Sourcing with containerized imports
- ▶ **2000s:** eCommerce rapidly expands; retailers lead the way



E-Commerce Logistics in Developed Markets

A Demand for Distinct Type of Logistics Models

4 distinct types of logistics functions

- ▶ Mega e-fulfillment centers
- ▶ Parcel hubs/sortation centers
- ▶ 'Last mile' delivery
- ▶ Integrated Technology for shippers, carriers, & 3PLs
 - ▶ Merchant Shopping Cart <-> API/XML/Web Services <-> Transportation Management System <-> Electronic Data Interface (EDI) allowing for all parties to:
 - ▶ Organize & Track shipments
 - ▶ Online Order Status & Documentation
 - ▶ Online dispatch documentation & invoices, such as Bill of Lading (BOL)
 - ▶ Seamless interface to ERP, WMS
 - ▶ Online Alerts in real time via text or app
 - ▶ Reports & Data Analysis

Benefits to Shippers, Carriers, 3PLs, & Consumers when Technology is at the Forefront

- ▶ Improved communication
- ▶ Transparency into the supply chain
- ▶ Improved customer satisfaction
- ▶ Cost reduction
- ▶ Improvement in efficiency
- ▶ On-time delivery
- ▶ Improved Collaboration

The Rise of the Application of eCommerce in Manufacturing

Shipper's Perspective

ThomasNet's Industry Market Barometer Study

A Mindset Shift for Shippers' Supply Chains

- ▶ 2010: Manufacturers thinking about eCommerce
- ▶ 2013: Websites & eCommerce have the MOST impact on securing new business
- ▶ NOW: Shift to solutions and Omni-Channel & Direct to Consumer; all while balancing with retailers

- ▶ Examples: Dell, Apple, Samsung, GE

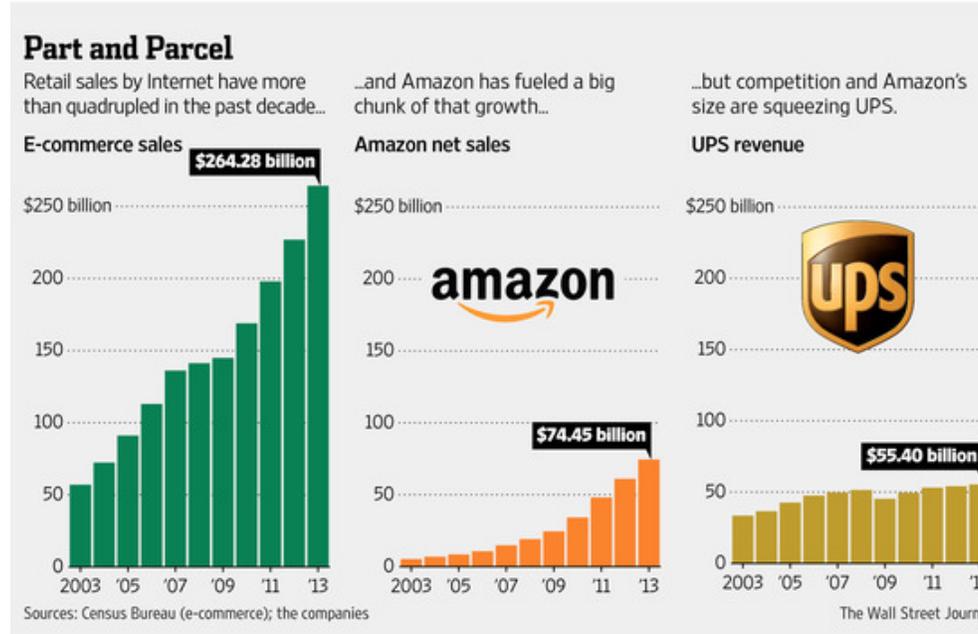


Benefits of eCommerce for Shippers

- ▶ Direct access to customers
- ▶ More prospects
- ▶ Opportunities to innovate
- ▶ Scalability
- ▶ Improved efficiencies
- ▶ Improved brand awareness
- ▶ Analytics

Challenges for Freight Carriers

- ▶ Meeting Consumer Expectations
- ▶ Keeping up with Retailers/Online Site Innovations through investment in technology
- ▶ Continual squeezing out of margins
- ▶ Challenges to traditional business model; change & paradigms take time, but they don't have time
 - ▶ I.e. The application of Dimensional (DIM) Pricing to better utilize space & have more straightforward pricing
 - ▶ More Transportation planning/optimization technology; I.e. a holistic view of full network
- ▶ Security of deliveries
- ▶ Emphasis on long term/partnership minded relationships & collaboration
 - ▶ The death of the commoditization of carriers



Benefits of eCommerce for Carriers

- ▶ Through integrated technology, more Seamless Communication (tracking & Tracing)
- ▶ Through increased use of technology, a more powerful transportation network
- ▶ Reduce costs; less errors; more profit
- ▶ More Competition, Collaboration, and Innovation
- ▶ Better utilization of capacity through intermodal communication
- ▶ Real time rated based on market trends as eCommerce creates more technology use in non-eCommerce; allows for carriers to better understand how to remain profitable and thus continue to invest in their business to meet the demands of consumers, shippers, and 3PIs

3PLs Role

- ▶ Technology Solutions Provider with off the shelf technology which is easily deployable
- ▶ Have both shippers' and carriers' interest at hearts as an intermediary
- ▶ Consistency to the overall onboarding of many customers

- ▶ Example: Cerasis Magento Extension with WebShopApps
 - ▶ Real time rates from over 25 different carriers or those you currently do business with
 - ▶ Integration into the Cerasis TMS with EDI connection to carriers
 - ▶ Automatic documentation, notifications, visibility, tracking & tracing

Conclusion